

**20 February 2015**

**North East Combined Authority -  
Update**

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**Report of Ian Thompson, Corporate Director, Regeneration and  
Economic Development**

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**Purpose of the Report**

- 1 To inform Members of the Economy and Enterprise Overview and Scrutiny Committee of the North East Combined Authority's (NECA) key developments and activities. The report includes information on the North East Growth Deal; key developments across the three themes of Transport, Employability and inclusion and Economic Development and Regeneration; and also information on the draft prospectus for a North East devolution deal.

**Background**

- 2 A Combined Authority is a legal structure to lead collaboration between local authorities and enable strategic decision-making on economic growth and transport. They were introduced in the Local Democracy Economic Development and Construction Act 2009 and are designed to enable groups of local authorities to work closely together to deliver improvements in economic growth and transport across local authority boundaries.
- 3 The NECA is a formal partnership, established through legislation in April 2014, enabling the local authorities to work together on transport and economic development issues. It covers the geography of: Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. The NECA has agreed three broad areas of focus:
  - Transport
  - Employability and Inclusion
  - Economic Development and Regeneration
- 4 The North East Leadership Board is the strategic decision-making body of the Combined Authority. It comprises the six Leaders and the elected Mayor, plus the Chair of the North East Local Enterprise Partnership and is chaired by Cllr Simon Henig. A significant body within NECA is the Transport North East Committee a (formal) joint committee of the Combined Authority and seven individual councils – which is responsible for overseeing the delivery of transport functions across the area

- 5 NECA also has an Overview and Scrutiny Committee, and a Governance Committee. Both report directly to the Leadership Board. The remit of the Overview and Scrutiny Committee is to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority and the committee investigates matters of significant importance to residents within the areas covered by the seven councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

### **North East Growth Deal**

- 6 The North East Growth Deal, announced in July 2014 sets out the funding allocation in regards to the LGF, states the amount of pre-committed funding and details a number of key commitments for the North East LEP and the Government.
- 7 The North East has secured £289.3m from the Local Growth Fund in July 2014:
- £47.9m of new funding confirmed for 2015/16 and £69.6 for 2016/17 to 2021 totalling £110.7m over 6 years for 22 projects across the Transport, Skills, Innovation and Economic Assets & Infrastructure programmes.
  - A provisional award of a further £78.7m of funding for transport projects starting in 2016 and beyond; and
  - £ 93.1m of pre-committed funding for projects including £31.1m for the Local Majors programme; 38.6m of other transport related pre-committed transport funding; and £23.4m for the Lets Grow Campaign awarded through RGF in April 2014.
- 8 Following the chancellor's announcement in the Autumn Statement of an addition £1bn of growth fund monies, it was announced in January 2015 that the North East has secured an additional £40.6m for a number of projects.
- 9 The Growth Deal supports many projects in County Durham and a number of area wide projects which have delivery elements in the County. The LGF money will support the infrastructure or a new business park adjacent to the Hitachi site in Newton Aycliffe, the expansion of NETPark near Sedgefield, the improvement of East Durham College at Houghall (Durham City); investments and projects located within the rural areas of County Durham to support businesses and several transport improvements in Durham City and across the County.

### **Transport**

- 10 The NECA has taken on the strategic transport responsibilities formerly carried out by the Tyne and Wear Integrated Transport Authority. The Leadership Board will be responsible for the most strategic matters – including the setting of the transport levy and adoption of a local transport plan. The Leadership Board is supported by the Transport North East committee, which is chaired by Cllr Forbes, Leader of Newcastle City Council.

- 11 NECA and other Combined Authorities are putting a strong case for longer term transport allocations, allowing the Combined Authority to plan more effectively for future delivery, and with the flexibility to be able to invest resources according to priorities. The government's current approach is in contrast driven by shorter-term funding opportunities and specific projects, selected by Whitehall. The current interest in greater devolution of decision making within England provides an opportunity to advance this argument.
- 12 Following a compelling set of business cases presented by the seven authorities and the NE LEP, the North East secured a significant element of transport funding through the Local Growth Fund. This includes fifteen schemes that will commence delivery in 2015-16 and a provisional funding allocation for five projects starting in 2016-17. In addition, all the authorities in the NECA area have been successful in their bids for further funding from the Local Sustainable Transport Fund programme in 2015-16, allowing NECA to continue to prioritise green transport.
- 13 Funding has also been secured for major works on the A1 and A19. Major road improvements to the A1 Western Bypass are now underway between junctions at Lobley Hill and Coal House whilst work is ongoing with the Highways Agency to progress two key junction improvements on the A19, at Silverlink and Testos. The Government also published the first Roads Investment Strategy on 1<sup>st</sup> December 2014, setting out an ambitious, long-term programme for the nation's strategic road network, which aims to increase road capacity and condition by 2020/21. There are a number of key schemes in the north-east, including the long-awaited commitment to dual the A1 north of Newcastle.
- 14 Improving public transport services is central to achieving the goals of the Combined Authority. A range of schemes are under way to enhance the experience of travelling by public transport across the region, including the Metro system undergoing renewal, with Nexus investing £389m in new track and technology, better stations and refurbished trains; the new rail station at Horden; Gateshead's Park and Ride proposals and the new South Shields Transport Hub. These will be underpinned by ongoing investment in a region-wide smart ticketing system, already being rolled out locally through the Pop card, that will make it easy to travel anywhere in North East England using a single card.
- 15 At the meeting of the North East Combined Authority's Leadership Board on 21st October, it was agreed that the Quality Contract Scheme (QCS) proposal should be submitted to an independent QCS Board. The Board will consider whether the scheme meets the public interest criteria and whether the procedural requirements have been complied with. The board plans to publish its final report on the proposal by 31st May 2015, following a number of oral evidence sessions.
- 16 The North East Combined Authority is also working together with the Association of North East Councils, Rail North and the East Coast Main Line Authorities Consortium (ECMA) to secure improvements to rail connectivity. NECA's membership of the Rail North partnership was approved in principle at the September meeting of North East Leadership Board.

- 17 In October, Sir David Higgins' report "Rebalancing Britain: from HS2 towards a national transport strategy", proposed, amongst other measures, a significant acceleration of services between Leeds and Manchester (HS3), which would cut 30 minutes off the Newcastle-Manchester journey time, and the creation of a "Transport for the North" group, bringing together representatives from across the North so they can speak with one voice. The new body will have more a more formal and inclusive governance structure, including representation from the Department for Transport, Network Rail, the Highways Agency and the business community.
- 18 Transport for the North builds upon the work initiated by the five core cities of the North (Leeds, Manchester, Liverpool, Newcastle and Sheffield), who commissioned the first One North report to identify the level of transformation in connectivity required to deliver what the Chancellor of the Exchequer has subsequently termed the 'Northern Powerhouse'. In the recent Autumn Statement, the Chancellor confirmed that the government, together with Transport for the North, would produce a comprehensive transport strategy for the north, beginning with an interim report in March 2015. A series of workstreams have been established to develop this strategy with NECA representatives involved in each workstream.
- 19 The region has long campaigned for a direct air link to the United States and on 27th October 2014, it was announced that United Airlines will operate a direct flight between Newcastle International Airport and New York Hub, Newark Liberty International Airport. The flight, which will be Newcastle's first scheduled, direct trans-Atlantic service, will operate five times a week. The service will run for a trial period from May 23rd to September 7th 2015.

### **Employability and Inclusion**

- 20 The Employability and Inclusion lead for the Combined Authority is Cllr Grant Davey, Leader of Northumberland County Council. Unlike transport, there is no formal joint committee on employability and inclusion, but Cllr Davey attends the NE Skills Board (chaired by the NE LEP, and includes the Skills Funding Agency, Job Centre Plus, private sector and voluntary sector representatives). The Employability and Inclusion theme is also supported by an officer group of the Local Authorities and NELEP, currently chaired by Northumberland County Council.
- 21 Central to the objective of tackling worklessness, low skills and dependency is presenting the case to Government for the devolution of appropriate welfare and employability powers, functions and budgets. This would allow the Combined Authority to develop a plan for the local management and delivery of services which respond to the distinctive needs of the area, including a new locally-led and commissioned framework for delivery of employability and welfare to work support.

- 22 In addition, NECA has taken the opportunity to demonstrate to Government its ability to deliver a national objective through the successful securing of a Mental Health and Employment Trailblazer. The Combined Authority is one of four pilot areas which will use Government funding to test whether better coordination of mental health and employment services could help thousands of people find work and stay in employment, whilst improving their mental health. A comprehensive implementation plan for the trailblazer is now being prepared. This will detail the next steps in putting in place the proposed “hub and spoke” model of advisers, securing the match funding from the European Social Fund , and co-designing with Government the evaluation methodology.
- 23 Central to the objective of youth employment is the aim to further expand the number and range of apprenticeship opportunities available for young people and the working age population. The Apprenticeship Hub is a partnership initiative, led by Newcastle City Council, on behalf of NELEP and its partners. The purpose of the Hub is to provide an additional resource, and to bring together employers, Apprenticeship providers and other partners in the NELEP area, to work towards the common goal of increasing the take-up of Apprenticeships (especially Youth Apprenticeships) among employers and young people.
- 24 The NECA has also been working with the NE LEP to draw up plans for investment in Employability and Inclusion, to be funded through the next round of the European Structural and Investment Fund. It is hoped that the UK Government will conclude its negotiations with Brussels on the details of the programme in the next few months.

### **Economic Development and Regeneration**

- 25 The Economic Development and Regeneration lead for the Combined Authority is Cllr Paul Watson, Leader of Sunderland City Council. There is no formal NECA committee for this theme but Cllr Watson and other members of the NECA work closely with the NELEP, including through the NE Innovation Board and the NE Business Support Board.
- 26 The NECA has supported the development of the North East Local Enterprise Partnership’s Strategic Economic Plan; More and Better Jobs and the European Structure and Investment Funds Strategy. The region’s current and future economic infrastructure provides the framework that enables businesses to compete effectively in an increasingly competitive global environment and is therefore vital to the future economic health of the region. Investment in key infrastructure projects is progressing: the success of the region’s Enterprise Zones, the development of Science City and the investment in Newton Aycliffe are just three of the very significant achievements that are being realised.

- 27 Work is progressing on the development of the North East Investment Fund, a proposal set out in the Strategic Economic Plan that aims to lever further investment to deal with the barriers to growth in the region. In addition work has been undertaken with the Homes and Communities Agency (HCA) to identify local sites where development can be accelerated. It is proposed that the financial uplift achieved by developing the sites would be retained in the north east. The possibility of receipts from the sale of other sites managed by the HCA is also being explored. Locally the HCA are supportive of the plans but DCLG approval at a national level will be required if the proposals are to be realised.
- 28 Over the next few months a draft Regional Investment Plan will be development. The aim is to produce a plan that identifies the key investment priorities so that the Combined Authority is in a position to respond to the opportunities presented by devolution and other future funding opportunities in a timely, considered and strategic manner
- 29 Each local authority in the area is engaged in activities that are designed to generate and convert inward investment enquiries. These local arrangements have been supplemented by the creation of the Inward Investment Gateway that is able to provide a considered regional response to potential inward opportunities generated by UKTI and other activities. The work is being led by a dedicated resource that acts as the regional contact point for enquiries and coordinates the regional response. This development of the Invest North East England brand has also brought opportunities to introduce regional initiatives that add significant value to local activities.
- 30 Recent developments in regards to business support and access to finance have included steps towards the formation of a Business Support Board and the announcement of plans to develop a Business Growth Hub for the region using resources from the Growth Deal. Outlines proposals are also being developed in relation to European Structural and Investment Funds which include a proposition to use a proportion of the programme allocation to extend the existing JEREMIE fund for loan assistance to SMEs throughout the programme period.

### **Developing a Devolution Deal for the North East**

- 31 In establishing the North East Combined Authority a key driver underpinning the move to strengthened governance arrangements was to position the North East to take on significant devolved powers and resources from central government.
- 32 Following the Scottish referendum and the negotiation of the Greater Manchester deal, the Chancellor of the Exchequer issued a challenge to other city-regions to come forward with proposals, demonstrating strong leadership to boost their economy. The North East Combined Authority has developed initial proposals for devolution that will accelerate economic growth in the North East.

- 33 The North East Combined Authority proposes to begin negotiations with government ministers, to secure a substantial devolution of power, funding and responsibilities, to meet the needs of the North East's diverse communities, and deliver the strategic economic plan for more and better jobs.
- 34 A number of proposals have been developed which amount to a coherent and compelling prospectus and form the basis of both local consultation and negotiations with government in a spirit of collaboration and partnership. The proposals have recently been made public and will be subject to consultation with partners, businesses and residents over the coming weeks.
- 35 The proposals include:
- A **North East Investment Fund**, bringing together devolved capital funding for economic development, transport and regeneration; supporting a project pipeline developed according to high standards of investment appraisal and accountability. The Fund could be financed by a government guarantee to a minimum commitment of funding from the Local Growth Fund, with leverage from the private sector and local sources.
  - Enhanced responsibilities for the delivery of around £500 million of **European Funding**, through arrangements devolved to the Combined Authority as a formal Intermediary Body for European funding.
  - A government guarantee to deliver on the commitments made under the existing **City Deals**, including to the International Advanced Manufacturing Park and International Conference and Exhibition Centre.
  - A **Housing Investment Fund** to deliver on the ambitious plans set out by each of the seven authorities, including funds and guaranteed loans devolved from the Homes and Communities Agency (HCA). Assets owned by the HCA in the North East should also be fully devolved.
  - Investment plans for investment in **our major transport infrastructure**, for both passengers and freight. For rail, this requires investment in capacity for the Leeds-Newcastle east coast corridor, through reinstatement of the Leamside Line, and investment in the Durham Coast line, with service improvements to the Tyne Valley line, and the opening of the Ashington, Blyth and Tyne line to passenger services. On the roads, we propose investment on critical north-south and east-west links within and beyond the region; including improvements to the A1 to motorway standard, to the A19, and to the A69 and A690.
  - The creation of **Transport North East**, as an integrated public transport system for the North East; delivering our Quality Contract Scheme for buses, overseeing improvements to northern rail services, securing devolved funding for improvements and extensions to the Metro.
  - **International Connectivity** secured through investment in connections to Newcastle International Airport, including measures to protect against unfair competition from reduced air taxation in Scotland; marketing in North America to exploit the opportunity of our new service to New York; and investment in the Newcastle International Airport Business Park.

We propose an expansion of the role of our successful ports, and to re-invest profits locally in the growth of the ports and marine engineering sector.

- A fully devolved **Work Programme** (or its successor), allowing joined-up employability support to be delivered more effectively, particularly to clients with the highest needs. We will provide greater support to address physical and mental health barriers to work, building on the success of the “troubled families” programme in the region, and over time developing joint accountability for the work of Jobcentre Plus.
- **Devolution of skills funding**, through joint accountability for the Skills Funding Agency shared between national government and the North East; to deliver enhanced apprenticeships and to meet skill gaps in our growing sectors.
- **New powers to help North East business to grow**; with devolved business support budgets, delivered through a coordinated North East Business Growth Hub; joint accountability for UKTI activity in the region; devolved funding from re-investment of the region’s Access To Finance programme; and new powers and funding to support our vibrant culture and visitor economy.
- Development over time of an **integrated approach to public service delivery**, supported by the integrated management of all public assets in the region, and a framework to support health and social care integration at local level.

## Recommendations

35. The Economy and Enterprise Overview and Scrutiny Committee is asked to receive this report for information, but may wish to receive further reports on the Combined Authority’s key activities.

## Background papers

North East Leadership Board papers available at:

<http://www.northeastca.gov.uk/committee-meetings/north-east-leadership-board-background-information-papers>

- North East Leadership Board 15 July 2014 – Agenda
- North East Leadership Board 15 July 2014 - Supplemental Agenda
- North East Leadership Board 16 September 2014 - Extraordinary Meeting 4
- North East Leadership Board 21 October 2014 - Agenda
- North East Combined Authority 21 October 2014 - Supplemental Agenda
- NECA North East Leadership Board 20 January 2015, Agenda Pack
- NECA North East Leadership Board 20 January 2015, Supplemental Ag Pack
- NECA North East Leadership Board 20 January 2015, Supplemental Ag No.2

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## **Appendix 1: Implications**

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**Finance:** Financial plans for each LGF funded project sponsored by Durham County Council will be developed as part of the business case preparation and reported to MOWG, CMT and Cabinet as appropriate.

**Risk:** There are no direct implications arising from this report

**Equality and Diversity/Public Sector Equality Duty:** There are no direct implications arising from this report

**Accommodation:** There are no direct implications arising from this report

**Crime and Disorder:** There are no direct implications arising from this report

**Human Rights:** There are no direct implications arising from this report

**Consultation:** A wide ranging consultation exercise will be undertaken with partners and wider stakeholders on the proposals for devolution.

**Procurement:** There are no direct implications arising from this report

**Disability Issues:** There are no direct implications arising from this report

**Legal Implications:** There are no direct implications arising from this report